

## INITIATIVE 249

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 249 to the Legislature is a true and correct copy as it was received by this office.

1       AN ACT Relating to strengthening and protecting the state  
2 expenditure limit; amending RCW 43.135.025, 43.135.035, 43.135.051, and  
3 43.135.060; reenacting and amending RCW 43.135.045; adding new sections  
4 to chapter 43.135 RCW; creating new sections; and repealing RCW  
5 43.135.055 and 43.135.080.

6       BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

7       NEW SECTION.   **Sec. 1.**   (1) The people find that:

8       (a) The state expenditure limit established by Initiative Measure  
9 No. 601 as codified in chapter 43.135 RCW has been instrumental in  
10 bringing fiscal responsibility and stability to the state's budget;

11       (b) Since the enactment of the state expenditure limit in 1993, the  
12 state has made more efficient use of its tax resources while adequately  
13 funding all essential state services and during this time has even  
14 exceeded its paramount duty to provide a basic education for the  
15 children of this state by providing significant enhancements for the  
16 common schools;

17       (c) In recent years, however, the expenditure limit has been  
18 weakened by the use of tax credits and other actions that allow for the  
19 expenditure of state resources outside and above the limit; and

(d) There are a significant number of accounts and funds not subject to the current expenditure limit that should appropriately be included within an overall state expenditure limit.

(2) Therefore, it is the intent of the people in this act to protect the state's expenditure limit by reaffirming that state expenditure growth should not exceed a fiscal growth factor that reflects the increase in inflation and population. It is also the intent of the people to strengthen the state expenditure limit by expanding it to appropriate funds and accounts within the state treasury and by eliminating opportunities to circumvent the intent of the expenditure limit.

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.135 RCW to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Change in population" means the percentage change in state population as forecasted by the office of financial management.

(2) "Expenditure" has its ordinary meaning and also includes the following:

(a) Any movement of money out of a limited account, unless the transfer is to another limited account; and

(b) Any action or combination of actions taken by the legislature after July 1, 2000, that has the effect of directly or indirectly reducing revenues to a limited account, where such revenues would otherwise be deposited into a limited account, and directly or indirectly increasing financial support for a nonlimited state account or a local government program, service, project, facility, or activity.

(3) "Fiscal growth factor" for a fiscal year means inflation plus the change in population for that fiscal year.

(4) "Inflation" means the percentage change in the implicit price deflator for personal consumption expenditures for the United States, as forecasted in the official state economic and revenue forecast under chapter 82.33 RCW.

(5) "Limited account" means all accounts or funds that are subject to the allotment procedures under chapter 43.88 RCW, except:

(a) Debt service funds or accounts that accumulate resources solely for the payment of general, long-term debt principal and interest;

1 (b) Capital project funds or accounts that account solely for the  
2 receipt and disbursement of resources used for the acquisition,  
3 construction, or improvement of major capital facilities;

4 (c) Enterprise funds or accounts that account solely for state  
5 operations that are financed and operated in a manner similar to  
6 private business enterprises where the state's intent is that the cost  
7 of providing goods and services to the general public on a continuing  
8 basis be financed or recovered primarily through use charges;

9 (d) Internal service funds that account solely for state activities  
10 that provide goods and services to other governmental departments or  
11 agencies on a cost-reimbursement basis;

12 (e) Expendable trust funds or accounts that account solely for  
13 assets held by the state in a trustee capacity where the principal and  
14 interest may be expended in the course of the funds' designated  
15 operations;

16 (f) Nonexpendable trust funds or accounts that account solely for  
17 assets held by the state in a trustee capacity where only the interest  
18 income derived from the trust principal may be expended for the funds'  
19 designated operations and the funds' or accounts' principle is  
20 preserved intact;

21 (g) Pension and investment trust funds or accounts that account  
22 solely for transactions, assets, liabilities, and net assets available  
23 for plan benefits of the various state public employee retirement  
24 systems and local government pooled investment activities;

25 (h) Agency funds or accounts that account solely for the receipt  
26 and disbursement of a tax, fee, deposit, deduction, or other property  
27 collected by the state, acting in the capacity of an agent, for  
28 distribution to other governmental units or organizations;

29 (i) Any fund or account that accounts solely for the receipt and  
30 disbursement of moneys that have been dedicated for specific purposes  
31 by the state Constitution; and

32 (j) Any fund or account that accounts solely for the receipt and  
33 disbursement of moneys for revolving loans to local governments for  
34 major infrastructure projects.

35 (6) "Raises revenue" means a new tax or fee, the expansion in the  
36 base of any tax or fee, a monetary increase in an existing tax or fee,  
37 an increase in the rate of a tax or fee, an expansion in the legal  
38 definition of a tax or fee base, the removal of all or part of any

1 exemption or deduction from any tax or fee, or an extension of an  
2 expiring tax or fee.

3       **Sec. 3.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended  
4 to read as follows:

5       (1) The state shall not expend from ~~((the general fund))~~ a limited  
6 account during any fiscal year state moneys in excess of the state  
7 expenditure limit for that account as established under this chapter.

8       (2) Except pursuant to a declaration of emergency under RCW  
9 43.135.035 or pursuant to an appropriation under RCW  
10 43.135.045~~((+4)(b))~~ (3)(b), the state treasurer shall not issue or  
11 redeem any check, warrant, or voucher that will result in a state  
12 ~~((general fund))~~ expenditure from a limited account for any fiscal year  
13 in excess of the state expenditure limit established for that account  
14 under this chapter. A violation of this subsection constitutes a  
15 violation of RCW 43.88.290 and shall subject the state treasurer to the  
16 penalties provided in RCW 43.88.300.

17       (3) The state expenditure limit for a limited account in any fiscal  
18 year shall be the previous fiscal year's state expenditure limit for  
19 that account increased by a percentage ~~((rate))~~ that equals the fiscal  
20 growth factor.

21       (4) For purposes of computing the state expenditure limit for a  
22 limited account for the fiscal year beginning July 1, ~~((1995))~~ 2002,  
23 the phrase "the previous fiscal year's state expenditure limit" means  
24 the total state expenditures from ~~((the state general fund,))~~ that  
25 limited account, not including federal funds, for the fiscal year  
26 beginning July 1, ~~((1989))~~ 2001, plus the fiscal growth factor. ~~((This~~  
27 ~~calculation is then computed for the state expenditure limit for fiscal~~  
28 ~~years 1992, 1993, 1994, and 1995, and as required under RCW~~  
29 ~~43.135.035(4).))~~

30       (5) A state expenditure limit committee is established for the  
31 purpose of determining and adjusting the state expenditure limit for  
32 each limited account as provided in this chapter. The members of the  
33 state expenditure limit committee are the director of financial  
34 management, the attorney general or the attorney general's designee,  
35 and the chairs and ranking minority members of the senate committee on  
36 ways and means and the house of representatives committee on  
37 appropriations. ~~((All actions of the state expenditure limit committee~~  
38 ~~taken pursuant to this chapter require an affirmative vote of at least~~

~~three members.)) Adjustments to the expenditure limit for a limited account, other than the adjustment for the fiscal growth factor, may only be made by a two-thirds vote of the members of the state expenditure limit committee.~~

(6) Each November, the state expenditure limit committee shall adjust the state expenditure limit for each limited account for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor ~~((and then project an))~~, calculate expenditure limits for the next ((two)) fiscal year((s)), and project state expenditure limits for the following fiscal year. If, by November 30th, the state expenditure limit committee has not adopted the state expenditure limit adjustments ~~((and projected expenditure limit))~~ as provided in subsection (5) of this section, the attorney general or his or her designee shall adjust ~~((or project))~~ the expenditure limits, as necessary.

~~((7) "Fiscal growth factor" means the average of the sum of inflation and population change for each of the prior three fiscal years.~~

~~(8) "Inflation" means the percentage change in the implicit price deflator for the United States for each fiscal year as published by the federal bureau of labor statistics.~~

~~(9) "Population change" means the percentage change in state population for each fiscal year as reported by the office of financial management.))~~

NEW SECTION. Sec. 4. A new section is added to chapter 43.135 RCW to read as follows:

(1) If the cost of a federal, state, or local government program, service, project, facility, or activity is transferred to or from a limited account on or after July 1, 2000, the state expenditure limit committee shall increase or decrease, as the case may be, the expenditure limit for that limited account to reflect the transfer. The legislature, in consultation with the office of financial management or its successor agency, shall determine the costs of the federal, state, or local government program, service, project, facility, or activity transferred under this subsection.

(2)(a) If moneys are moved from a limited account to another limited account, the state expenditure limit committee shall decrease the expenditure limit for the limited account from which the money is

1 moved and shall increase the expenditure limit for the limited account  
2 into which the money is moved to reflect the movement of the moneys.

3 (b) If moneys are moved from a nonlimited account to a limited  
4 account, the state expenditure limit committee shall increase the  
5 expenditure limit for the limited account into which the money is moved  
6 to reflect the movement of the moneys.

7 (3)(a) If any action or combination of actions taken by the  
8 legislature after July 1, 2000, has the effect of directly or  
9 indirectly reducing a particular revenue source to a nonlimited  
10 account, where such revenue source would otherwise be deposited into  
11 that nonlimited account, and directly or indirectly increasing revenues  
12 from that particular revenue source for a limited account, the state  
13 expenditure limit committee shall increase the expenditure limit for  
14 the affected limited account to reflect the increase from the  
15 particular revenue source.

16 (b) If any action or combination of actions taken by the  
17 legislature after July 1, 2000, has the effect of directly or  
18 indirectly reducing revenues from a particular source to a limited  
19 account, where such revenue source would otherwise be deposited into  
20 that limited account, and directly or indirectly increasing revenues  
21 from that particular source for another limited account, the state  
22 expenditure limit committee shall decrease the expenditure limit for  
23 the limited account from which the particular revenue source is taken  
24 and increase the expenditure limit for the limited account into which  
25 the particular revenue source is directed.

26 **Sec. 5.** RCW 43.135.035 and 2000 2nd sp.s. c 2 s 2 are each amended  
27 to read as follows:

28 (1) After July 1, ~~((1995))~~ 2002, any action or combination of  
29 actions ~~((by the legislature))~~ that raises ~~((state))~~ revenue ~~((or~~  
30 ~~requires revenue neutral tax shifts))~~ for a limited account may be  
31 taken only if approved by a two-thirds vote of each house of the  
32 legislature, and then only if state expenditures in any fiscal year,  
33 including the ~~((new))~~ revenue resulting from the legislative action  
34 taken under this subsection, will not exceed the state expenditure  
35 limit~~((s))~~ established under this chapter for that limited account.

36 (2)(a) If the legislative action under subsection (1) of this  
37 section will result in expenditures in excess of the state expenditure  
38 limit for a limited account, then the action of the legislature shall

1 not take effect until approved by a vote of the people at a November  
2 general election. The ~~((office of financial management))~~ state  
3 expenditure limit committee shall adjust the state expenditure limit  
4 for that limited account by the amount of additional revenue approved  
5 by the voters under this section. This adjustment shall not exceed the  
6 amount of revenue generated by the legislative action during the first  
7 full fiscal year in which it is in effect. The state expenditure limit  
8 for that limited account shall be adjusted downward upon expiration or  
9 repeal of the legislative action.

10 (b) The ballot title for any vote of the people required under this  
11 section shall be substantially as follows:

12 "Shall taxes or fees be imposed on . . . . . in order to allow  
13 a spending increase above ~~((last year's authorized spending adjusted~~  
14 ~~for inflation and population increases))~~ the currently authorized state  
15 expenditure limit for the . . . . . account?"

16 (3)(a) The state expenditure limit for any limited account may be  
17 exceeded upon declaration of an emergency for a period not to exceed  
18 twenty-four months by a law approved by a two-thirds vote of each house  
19 of the legislature and signed by the governor. The law shall set forth  
20 the nature of the emergency, which is limited to natural disasters that  
21 require immediate government action to alleviate human suffering and  
22 provide humanitarian assistance. The state expenditure limit for any  
23 limited account may be exceeded for no more than twenty-four months  
24 following the declaration of the emergency and only for the purposes  
25 contained in the emergency declaration.

26 (b) Additional taxes or fees required for an emergency under this  
27 section may be imposed only until thirty days following the next  
28 general election, unless an extension is approved at that general  
29 election. The additional taxes or fees shall expire upon expiration of  
30 the declaration of emergency. The legislature shall not impose  
31 additional taxes or fees for emergency purposes under this subsection  
32 unless funds in the education construction fund and the higher  
33 education capital construction fund have been exhausted.

34 (c) The state or any political subdivision of the state shall not  
35 impose any tax or fee on intangible property listed in RCW 84.36.070 as  
36 that statute exists on January 1, ~~((1993))~~ 2000.

37 ~~((4) If the cost of any state program or function is shifted from~~  
38 ~~the state general fund on or after January 1, 1993, to another source~~

1 of funding, or if moneys are transferred from the state general fund to  
2 another fund or account, the state expenditure limit committee, acting  
3 pursuant to RCW 43.135.025(5), shall lower the state expenditure limit  
4 to reflect the shift. For the purposes of this section, a transfer of  
5 money from the state general fund to another fund or account includes  
6 any state legislative action taken after July 1, 2000, that has the  
7 effect of reducing revenues from a particular source, where such  
8 revenues would otherwise be deposited into the state general fund,  
9 while increasing the revenues from that particular source to another  
10 state or local government account.

11 ~~(5) If the cost of any state program or function is shifted to the~~  
12 ~~state general fund on or after January 1, 2000, from another source of~~  
13 ~~funding, or if moneys are transferred to the state general fund from~~  
14 ~~another fund or account, the state expenditure limit committee, acting~~  
15 ~~pursuant to RCW 43.135.025(5), shall increase the state expenditure~~  
16 ~~limit to reflect the shift.))~~

17 **Sec. 6.** RCW 43.135.045 and 2000 2nd sp.s. c 5 s 1 and 2000 2nd  
18 sp.s. c 2 s 3 are each reenacted and amended to read as follows:

19 (1) The emergency reserve fund is established in the state  
20 treasury.

21 ~~((During))~~ (2)(a) On July 1st of each ((fiscal)) year, the state  
22 treasurer shall ((deposit in)) transfer to the emergency reserve fund  
23 ~~((all general fund state revenues in excess of the state expenditure~~  
24 ~~limit for that fiscal year. Deposits shall be made at the end of each~~  
25 ~~fiscal quarter based on projections of state revenues and the state~~  
26 ~~expenditure limit))~~ any unobligated limited account balance. The  
27 treasurer shall make transfers between these accounts as necessary to  
28 reconcile actual annual revenues and the expenditure limits for fiscal  
29 year ~~((2000))~~ 2003 and thereafter.

30 ~~((+2))~~ (b) The legislature may appropriate moneys from the  
31 emergency reserve fund only with approval of at least two-thirds of the  
32 members of each house of the legislature, and then only if the  
33 appropriation does not cause total expenditures to exceed the state  
34 expenditure limit under this chapter.

35 ~~((+3))~~ (c) The emergency reserve fund balance shall not exceed  
36 five percent of ~~((annual general fund state revenues as projected by~~  
37 ~~the official state revenue forecast))~~ biennial state expenditures from  
38 all limited accounts. Any balance in excess of five percent shall be



1 transferred ~~((on a quarterly basis))~~ by the state treasurer ~~((to the~~  
2 ~~education construction fund hereby created in the treasury. The~~  
3 ~~treasurer shall make transfers between these accounts as necessary to~~  
4 ~~reconcile actual annual revenues for fiscal year 2000 and thereafter.~~

5 ~~(4)(a) Funds))~~ in the following manner:

6 (i) Fifty percent shall be transferred to the education  
7 construction fund hereby established in the state treasury. However,  
8 the transfer made under this subsection shall not exceed two hundred  
9 fifty million dollars in any fiscal year. Unless otherwise provided  
10 for by law, moneys transferred into the education construction fund may  
11 be appropriated ((from the education construction fund)) exclusively  
12 for common school construction ((or higher education construction)).

13 ~~((b) Funds))~~ (ii) Twenty-five percent shall be transferred to the  
14 higher education capital construction fund hereby created in the state  
15 treasury. However, the transfer made under this subsection shall not  
16 exceed two hundred fifty million dollars in any fiscal year. Unless  
17 otherwise provided for by law, moneys transferred into the higher  
18 education capital construction fund may be appropriated exclusively for  
19 higher education construction.

20 (iii) Any remaining balance shall be transferred to the congestion  
21 relief fund hereby created in the state treasury. Unless otherwise  
22 provided for by law, moneys transferred into the congestion relief fund  
23 may be appropriated exclusively for new highway and road construction,  
24 preservation, and maintenance and freight mobility projects.

25 (3)(a) Moneys transferred to the education construction fund, the  
26 higher education capital construction fund, or the congestion relief  
27 fund under subsection (2)(c) of this section may be appropriated for  
28 any other purpose only if approved by a two-thirds vote of each house  
29 of the legislature and if approved by a vote of the people at the next  
30 general election. ((An appropriation approved by the people under this  
31 subsection shall result in an adjustment to the state expenditure limit  
32 only for the fiscal period for which the appropriation is made and  
33 shall not affect any subsequent fiscal period.

34 ~~(5) Earnings of the emergency reserve fund under RCW~~  
35 ~~43.84.092(4)(a) shall be transferred quarterly to the multimodal~~  
36 ~~transportation account, except for those earnings that are in excess of~~  
37 ~~thirty-five million dollars each fiscal year. Within thirty days~~  
38 ~~following any fiscal year in which earnings transferred to the~~  
39 ~~multimodal transportation account under this subsection did not total~~

1 ~~thirty-five million dollars, the state treasurer shall transfer from~~  
2 ~~the emergency reserve fund an amount necessary to bring the total~~  
3 ~~deposited in the multimodal transportation account under this~~  
4 ~~subsection to thirty-five million dollars. The revenues to the~~  
5 ~~multimodal transportation account reflected in this subsection provide~~  
6 ~~ongoing support for the transportation programs of the state. However,~~  
7 ~~it is the intent of the legislature that any new long-term financial~~  
8 ~~support that may be subsequently provided for transportation programs~~  
9 ~~will be used to replace and supplant the revenues reflected in this~~  
10 ~~subsection, thereby allowing those revenues to be returned to the~~  
11 ~~purposes to which they were previously dedicated.)) (b) The ballot~~  
12 title for any vote of the people required under this section shall be  
13 substantially as follows:

14 "Shall the amount of . . . . . be diverted from  
15 the . . . . . (insert the name of the fund or funds affected) and  
16 appropriated for the purpose of . . . . . ?"

17 **Sec. 7.** RCW 43.135.051 and 1999 c 288 s 1 are each amended to read  
18 as follows:

19 (1) The state investment board has the full power to invest,  
20 reinvest, manage, contract, sell, or exchange investment moneys in the  
21 emergency reserve fund. All investment and operating costs associated  
22 with the investment of money shall be paid pursuant to RCW 43.33A.160  
23 and 43.84.160. With the exception of these expenses, the earnings from  
24 the investment of the money shall be ((retained by the)) deposited in  
25 the transportation fund.

26 (2) All investments made by the state investment board shall be  
27 made with the exercise of that degree of judgment and care pursuant to  
28 RCW 43.33A.140 and the investment policies established by the state  
29 investment board.

30 (3) As deemed appropriate by the state investment board, moneys in  
31 the fund may be commingled for investment with other funds subject to  
32 investment by the board.

33 **Sec. 8.** RCW 43.135.060 and 1998 c 321 s 15 are each amended to  
34 read as follows:

35 (1) After July 1, 1995, the legislature shall not impose  
36 responsibility for new programs or increased levels of service under  
37 existing programs on any political subdivision of the state unless the

1 subdivision is fully reimbursed by the state for the costs of the new  
2 programs or increases in service levels. Reimbursement by the state  
3 may be made by: (a) A specific appropriation; or (b) increases in  
4 state distributions of revenue to political subdivisions occurring  
5 after January 1, 1998. This subsection does not apply to the costs  
6 incurred for voting devices or machines under RCW 29.04.200.

7 ~~(2) ((If by order of any court, or legislative enactment, the costs~~  
8 ~~of a federal or local government program are transferred to or from the~~  
9 ~~state, the otherwise applicable state expenditure limit shall be~~  
10 ~~increased or decreased, as the case may be, by the dollar amount of the~~  
11 ~~costs of the program.~~

12 ~~(3))) The legislature, in consultation with the office of financial~~  
13 ~~management or its successor agency, shall determine the costs of any~~  
14 ~~new programs or increased levels of service under existing programs~~  
15 ~~imposed on any political subdivision ((or transferred to or from the~~  
16 ~~state.~~

17 ~~(4) Subsection (1) of this section does not apply to the costs~~  
18 ~~incurred for voting devices or machines under RCW 29.04.200)) under~~  
19 subsection (1) of this section.

20 NEW SECTION. Sec. 9. The following acts or parts of acts are each  
21 repealed:

22 (1) RCW 43.135.055 (Fee increase restriction--Exception) and 1997  
23 c 303 s 2 & 1994 c 2 s 8; and

24 (2) RCW 43.135.080 (Reenactment and reaffirmation of Initiative  
25 Measure No. 601--Continued limitations--Exceptions) and 1998 c 321 s  
26 14.

27 NEW SECTION. Sec. 10. If any provision of this act or its  
28 application to any person or circumstance is held invalid, the  
29 remainder of the act or the application of the provision to other  
30 persons or circumstances is not affected.

31 NEW SECTION. Sec. 11. This act applies to the calculation of  
32 state expenditure limits for the fiscal year beginning July 1, 2002,  
33 and thereafter.

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